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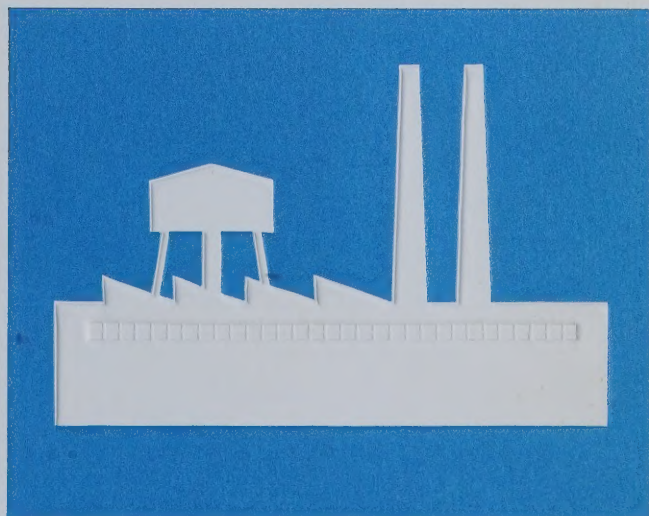
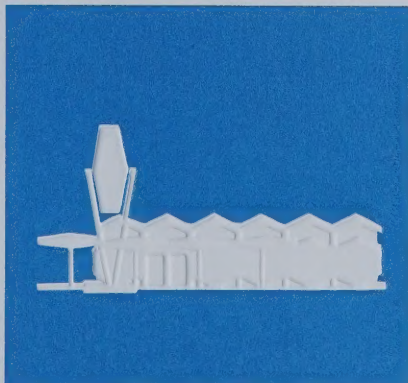
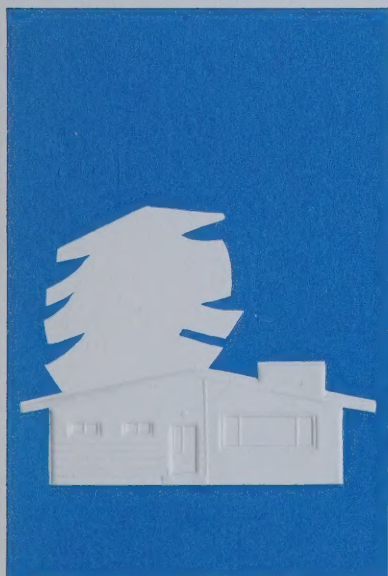
Lee B



54th ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1965

**CANADIAN
WESTERN
NATURAL GAS
COMPANY LIMITED**



CANADIAN WESTERN NATURAL GAS COMPANY LIMITED



REGISTERED OFFICE: 140 SIXTH AVE. S.W., CALGARY, ALBERTA, CANADA

BOARD OF DIRECTORS

- H. R. MILNER, Q.C.,** *Edmonton, Alberta*
HONORARY CHAIRMAN OF THE BOARD,
CANADIAN WESTERN NATURAL GAS COMPANY LIMITED
- A. C. ANDERSON,** *Lethbridge, Alberta*
OWNER, MEDICAL DENTAL PHARMACY (LETHBRIDGE) LTD.
- D. E. BATCHELOR,** *Millarville, Alberta*
RETIRED
- HOWARD BUTCHER III,** *Villanova, Pennsylvania*
CHAIRMAN OF THE BOARD, INTERNATIONAL UTILITIES CORPORATION
- M. E. HARTNETT,** *Calgary, Alberta*
RETIRED
- H. M. HUNTER,** *Calgary, Alberta*
GENERAL MANAGER, CANADIAN WESTERN NATURAL GAS COMPANY LIMITED
- K. L. MacFADYEN,** *Calgary, Alberta*
VICE-PRESIDENT-COMPTROLLER, CANADIAN WESTERN NATURAL GAS COMPANY LIMITED
- F. C. MANNING,** *Calgary, Alberta*
PRESIDENT, MANNING EGLESTON LUMBER CO. LTD.
- J. E. MAYBIN,** *Calgary, Alberta*
EXECUTIVE VICE-PRESIDENT, CANADIAN WESTERN NATURAL GAS COMPANY LIMITED
- R. C. McPHERSON,** *Edmonton, Alberta*
VICE-PRESIDENT, NORTHLAND UTILITIES LTD.
- P. D. MELLON,** *Calgary, Alberta*
RETIRED
- R. S. MUNN,** *Calgary, Alberta*
RETIRED
- J. E. O'CONNOR,** *Calgary, Alberta*
MANAGER, CALGARY ASSOCIATE CLINIC
- M. E. STEWART,** *Edmonton, Alberta*
PRESIDENT, CANADIAN WESTERN NATURAL GAS COMPANY LIMITED
- D. K. YORATH,** *Edmonton, Alberta*
CHAIRMAN OF THE COMPANY, CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

OFFICERS

- | | |
|-------------------------|----------------------------|
| D. K. YORATH, | CHAIRMAN OF THE COMPANY |
| M. E. STEWART, | PRESIDENT |
| J. E. MAYBIN, | EXECUTIVE VICE-PRESIDENT |
| K. L. MacFADYEN, | VICE-PRESIDENT-COMPTROLLER |
| H. M. HUNTER, | GENERAL MANAGER |
| H. S. GREENWAY, | SECRETARY |
| W. L. McPHEE, | TREASURER |
| A. J. SMITH, | ASSISTANT SECRETARY |
| J. H. MILLER, | ASSISTANT TREASURER |

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

HIGHLIGHTS

	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1955</u>
Customers at Year End	110,723	107,214	103,901	101,155	96,669	63,787
Natural Gas Sales . . . (thousands of cubic feet)	58,012,772	51,771,155	47,831,345	46,091,183	44,276,166	34,435,552
Revenue	\$20,876,206	\$18,870,057	\$17,497,362	\$16,925,707	\$15,623,539	\$ 9,207,750
Net Income	\$ 2,935,139	\$ 2,609,129	\$ 2,325,264	\$ 2,372,067	\$ 2,308,112	\$ 1,209,936
Annual Gross Additions to Plant . . . (1)	\$ 2,641,479	\$ 2,303,697	\$ 2,828,866	\$ 3,567,118	\$ 2,154,889	\$ 3,097,771
Gross Plant	\$65,035,270	\$61,021,575	\$59,194,621	\$56,821,364	\$53,669,553	\$26,250,079
Miles of Pipeline	2,113	2,068	2,034	2,006	1,935	1,225
Maximum Daily Demand (thousands of cubic feet)	298,685	328,266	283,911	246,918	253,613	183,867
Communities Served . . (2)	85	84	83	83	78	33
Population Served . . .	430,000	409,000	393,000	384,000	362,000	242,000

(1) Ten year total of gross additions to plant \$41,160,405.

(2) Figures prior to 1964 have been adjusted by deleting suburban communities now annexed to other communities.
Statistics are now comparable in all years.

54th ANNUAL REPORT OF THE DIRECTORS

To the Shareholders

In 1965 your company recorded net income of \$2,935,139, an increase of \$326,010 over the previous year. Earnings per common share were \$1.40 as compared with \$1.22 per share in 1964.

Gas sales were approximately 58 billion cubic feet, compared with slightly less than 51.8 billion in 1964. During 1965 the temperature was 2.8 degrees below the long-term average while 1964 was slightly warmer than normal. It is estimated that 1965 sales were increased by some 2.6 billion cubic feet due to colder than normal temperatures.

Operating revenue was \$20,876,000, compared with \$18,870,000 in the previous year, an increase of 10.6%. Operating expenses, including depreciation and taxes of various kinds, increased by \$1,676,000 which includes an increase of over \$600,000 in the cost of buying greater quantities of purchased gas.

At year end there were 110,723 customers served by the company, an increase of 3,509 from 1964. Natural gas service was extended to one additional community, the village of Big Valley, 100 miles northeast of Calgary, bringing to 85 the number of communities served by the company.

At December 31, 1965 the company had 3,627 preferred and 2,357 ordinary shareholders. Of the shareholders 3,571 preferred and 2,323 ordinary were residents of Canada.

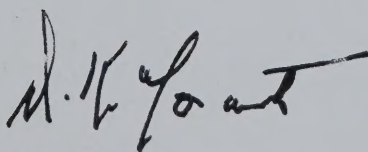
In May, 1965, B. F. Willson retired as President, and from the board of the company, in order to assume the presidency of another corporation. M. E. Stewart, formerly Vice-President, succeeded Mr. Willson as President. J. E. Maybin, formerly Vice-President - Engineering and Gas Supply, was appointed executive Vice-President. Concurrently Mr. Maybin and Mr. Stewart were elected directors of the company.

The Board regretted that at the 1965 Annual General Meeting, A. G. Baalim, a prominent citizen of Lethbridge, Alberta, who had served on the Board of Directors continuously since 1926, did not stand for re-election.

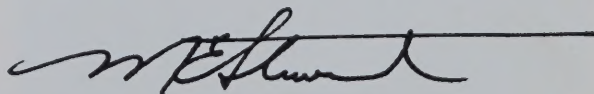
A. C. Anderson, also of Lethbridge, was appointed to the vacancy created by Mr. Baalim's retirement.

The very successful operational and financial results recorded for the year are in large measure due to the effective performance of the employees of the company, to whom the directors express their appreciation.

By Order of the Board of Directors,



D. K. Yorath
Chairman



M. E. Stewart
President

March 4, 1966

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

THE YEAR IN REVIEW

Gas Sales

Gas sales increased by 6.2 billion cubic feet in 1965 to 58 billion, an increase of 12%. Approximately 4 billion cubic feet of this increase was to residential and commercial customers.

Practically all residential and commercial customers use natural gas for space heating, so that temperature deviation from year to year has a significant effect upon these requirements. The average temperature in 1965 was 2.8 degrees below the long-term normal and it is estimated that this resulted in increased sales of approximately 2.5 billion cubic feet in the foregoing categories. The balance of the increase in 1965 sales is attributable mainly to the basic growth of the system. During the year 3,500 new customers were added.

Industrial sales, which are not significantly affected by temperature variation, increased by 12.1%, or 2.2 billion cubic feet, over 1964. One large new industrial plant accounted for over 40% of this increase. The remainder of the increase was to smaller new industrial customers and to existing industrials.

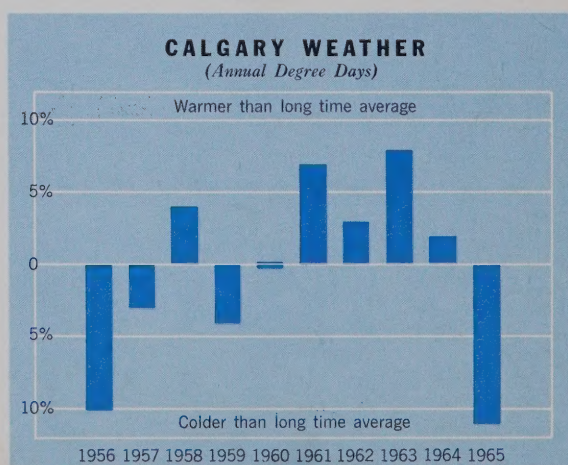
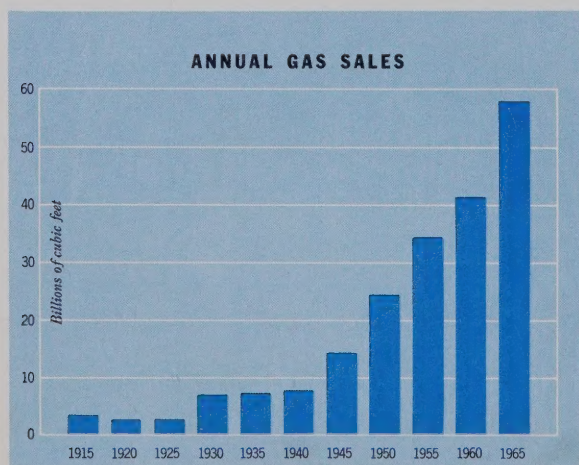
Marketing

In Canadian Western's service territory all the energy requirements of the home for space heating and water heating, are virtually 100% supplied by natural gas. Electricity is a competitive factor in residential cooking and clothes drying.

Several major commercial loads were added in 1965. The largest is Calgary's new \$26 million Foothills Hospital. The hospital uses natural gas for space heating, air-conditioning, cooking, water heating, clothes drying, incineration and power generation.

The new \$24 million Western Co-Operative Fertilizer Limited plant in Calgary is a major addition to the industrial capacity of Southern Alberta. This plant uses natural gas as a raw material for the production of ammonia and as fuel for two 3,500 h.p. compressors. It is the company's fourth largest industrial user and the second fertilizer plant on the system.

An additional 101 quarter sections of land in the Lethbridge district were placed under contract for gas engine irrigation systems during 1965. In the past two years low cost natural gas service has been extended



to 410 quarter sections of land and 310 farmsteads. Approximately two and one-half million feet (280 miles) of plastic pipe have been installed on farm natural gas distribution systems for irrigation.

Absorption air-conditioning equipment was installed in five new buildings in 1965, providing a total of 3,000 tons of refrigeration. Included is the largest single installation in Western Canada, a 1,065-ton unit installed in the new biological science building at the University of Alberta, Calgary. Calgary is the leading city in Canada in the use of gas absorption air-conditioning.

Discussions on long-term natural gas supplies have been held with a number of large industrial firms who are investigating the economics of expanding their operations into Alberta.

The company takes a very active role in industrial development, working to supply low cost, long-term energy supplies to new and expanding industries. It also provides gas utilization service and assists in the work of various industrial development organizations.

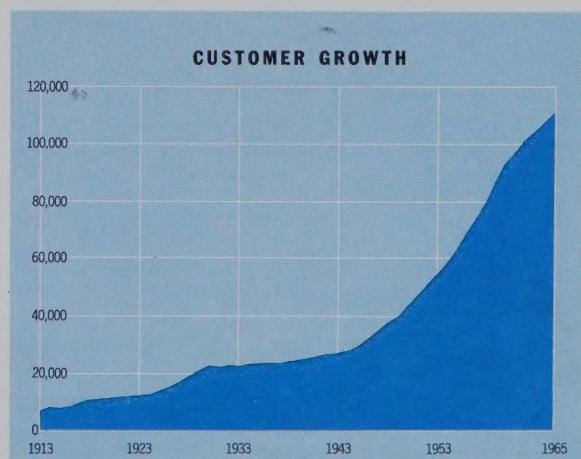
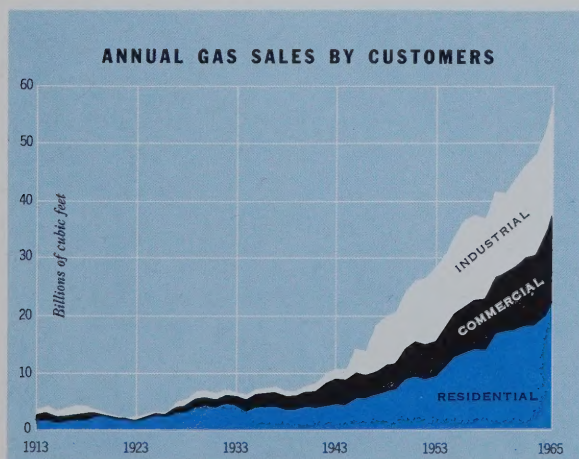
The Canadian Western market area is very buoyant. Calgary continues to expand rapidly and increased natural gas sales, as a result of this growth, are forecast. The latest reports show that Calgary's 15.7% was the greatest percentage population increase since 1961 of any metropolitan area in Canada. The present population of Calgary is approximately 323,000.

Significant increases in natural gas sales are forecast as the Province of Alberta appears to be entering a period of accelerated economic development. Many major projects are under way or proposed, including expansion of the fertilizer industry, major installations in the petrochemical field, the development of Crowsnest coal reserves, and increased activity in the oil and gas industry.

Gas Supply

As of December 31, 1965, the recoverable gas reserves in the fields connected to Canadian Western's system were estimated to be 1,035 billion cubic feet. Although no significant new sources were connected during 1965, negotiations have recently been completed to connect the major reserves at Jumping Pound West in 1967. Construction of the necessary pipeline from the field, which is located 30 miles west of Calgary, will be started during 1966.

Canadian Western's largest volume of supply in 1965 came from the Jumping Pound and Sarcee fields. This source provided 42% of the 1965 requirements. The amount of gas available from Turner Valley continued to decline, supplying only 19% of system requirements. The Okotoks field, the Redland-Strathmore gas properties operated by Canadian Pacific Oil and Gas Limited, and the



company's own properties at Carbon, Bow Island and Foremost supplied most of the remainder. The company's dry gas properties were utilized largely during the cold weather periods of heavy demand.

Eight percent of the company's 1965 gas requirements were obtained from Trans-Canada Pipe Lines Limited and Westcoast Transmission Company Limited. The company has contractual arrangements with these gas exporters, and with the Alberta and Southern Gas Company Ltd., under which large quantities of gas can be obtained on favorable terms. The reserve figure of 1,035 billion cubic feet does not include gas that might be purchased from these export companies. The volumes taken from these export companies will be reduced when Jumping Pound West is connected to the system.

The company's attitude to the export of natural gas from Alberta continues to be one of favoring such export so long as the future requirements of the Alberta consumer have been adequately protected. The company has presented this point of view forcefully at hearings held for the purpose of examining applications for the export of additional quantities of gas.

During 1965 the company acquired ownership of additional gas reserves in the Carbon field, its major source of peak gas. The company now owns substantially all of this important gas field. The company-owned properties in Carbon, Bow Island and Foremost supplied approximately 37% of the 1965 peak day requirements of 299 million cubic feet.

The company has also undertaken to acquire a number of Southern Alberta leasehold properties, with a view to conducting a limited amount of exploration for additional gas reserves.

New Construction

Gross expenditures on plant were \$2,641,000 in 1965. This included almost \$600,000 for production facilities, including gas rights and associated items, and the cost of gas purchased for storage in the Bow Island

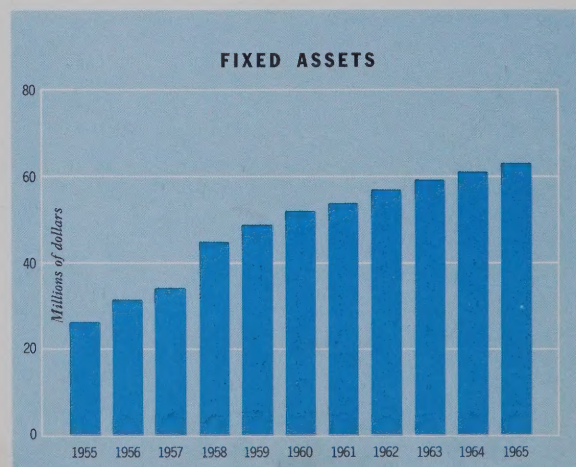
field. The largest part of the expenditure, however, was for transmission, distribution and general plant additions required to enable the company to serve the customers added during the year.

Gross capital expenditures in the year 1966 are expected to exceed \$4,800,000. The budget includes a provision of over \$1,000,000 for the start on the construction of a transmission line to the Jumping Pound West field, referred to under "Gas Supply." This line will be completed in 1967 at a total estimated cost of \$2,300,000. The balance of the anticipated expenditures are for extensions and improvements to production, transmission, distribution and general facilities required to provide for the additional customers expected to be connected during 1966.

Income Tax Rebate

The company is subject to Canadian Federal Income Tax. This has contrasted with the tax exempt status of provincial and municipal government-owned utilities and has resulted in pressure at various times for the expropriation of the company's properties in order that the consumer might escape this tax burden.

In mid-1965 the federal Minister of Finance announced that, effective with the tax



year commencing January 1, 1966, the federal government would rebate to the various provincial governments 95% of the federal income tax paid by the shareholder-owned gas and electric utilities located within those provinces.

The Premier of the Province of Alberta has announced that the government of Alberta will pass the full rebate on to the utilities, provided they in turn agree to pass it on to their customers. The company has given this assurance to its customers.

As yet the necessary legislation has not been passed by the federal government but it is expected that it will be passed in 1966. Pending passage of the necessary legislation, details concerning the actual time when the funds will become available to the company and the manner in which they will be passed back to the customer have not been fully worked out.

There is no doubt that this return to the customer of the income tax paid by him through his gas or electric bill will remove most of the pressure for government ownership. Whereas previously the proponents of government ownership could argue a likely monetary saving to the customer, this cannot now be used against the shareholder-owned utility.

Staff

A number of senior staff changes were made during the year, following the changes in management already noted in the report to shareholders. Ronald N. Dalby was appointed to the new position of director of marketing for Canadian Western and its associate, Northwestern Utilities, Limited. Mr. Dalby previously was manager of sales and industrial development for Northwestern.

Ralph Pilkington, formerly superintendent of distribution, was appointed manager of production and transmission, succeeding Elmer F. Provost who was transferred to Northwestern Utilities, Limited in the same capacity. John M. Willsher succeeded Mr. Pilkington as superintendent of distribution. Mr. Willsher was previously assistant to the general manager.

At the year's end there were 530 employees on the establishment of the company. They are a well-trained and experienced staff, with the result that the company continues to offer the highest possible standard of service.

The company continues also to improve its efficiency. One measure of this is that 10 years ago the number of customers served per employee was 134. In 1965 the figure had risen to 205, an improvement of 53%.

Centennial Project

During the year the company announced it would, in association with its affiliated companies, produce, as a centennial project, a natural history of Alberta.

This 300-page book will provide an invaluable reference for schools, universities, tourists and others interested in the natural history of the province.

The book will have three main sections. The first will contain chapters on astronomy, geology, and palaeontology, climate and the physical geography of the province. The second will describe the flora and fauna of Alberta. The third will consider man in Alberta, under a chapter on archaeology and a chapter on history dating from the arrival of the white man to the present.

The company expects wide distribution to be given to the volume, and an initial run of 20,000 copies is to be provided. It will be distributed by book stores throughout Alberta, Canada and the United States.

Combined Statistics

Published in this report is a table showing the combined statistical data for Canadian Western and its associate, Northwestern Utilities, Limited. Together the two companies provide natural gas to 166 Alberta communities. The combined report shows the growth of natural gas service in Alberta and is included here for further information.

Uses of natural gas in Alberta

Natural gas has been called the fuel of 10,000 uses. On the following pages are shown just a few of the residential, commercial and industrial applications of natural gas in Alberta.

House-heating, water-heating, cooking, clothes drying and refuse incineration are the major uses of natural gas in the home. Infra-red heaters, gas lamps and torches, swimming pool heaters and barbecues bring modern living outdoors.

Natural gas does commercial heating and air conditioning and substantially all the commercial cooking and baking.

Natural gas is a vital source of raw material for Alberta's petrochemical plants.

Among its multitude of industrial uses are heating, forging, cutting, melting, annealing and curing. The production of processed steam in a wide variety of plants would be much more expensive without natural gas.

Electric power generation and direct-driven engines for compressing and pumping are important. In a number of total energy installations natural gas is the sole source for all energy needs whether these are heating, air conditioning or the generation of electric power.

And what about tomorrow?

Research laboratories are discovering and perfecting many new exciting applications such as the fuel cell which will one day use gas to provide all the energy required even in the home. Offshoots of the space age and as modern as the age that has spawned them, these developments will enable natural gas to make an even greater contribution to progress and to better living.

Natural gas fires the roaring inferno of a brick kiln where temperatures of 1,920 degrees are required for curing. Three days are needed for heating and cooling in a kiln which can produce 350,000 bricks a week.



NATURAL GAS - *creative energy at work*



Natural gas cutting torches slice steel plate into precise shapes for industry.

Natural gas is Alberta's most versatile source of energy. Its benefits surround us each day. Burners can provide a gentle flame under a kettle or a roaring inferno in a brick kiln.

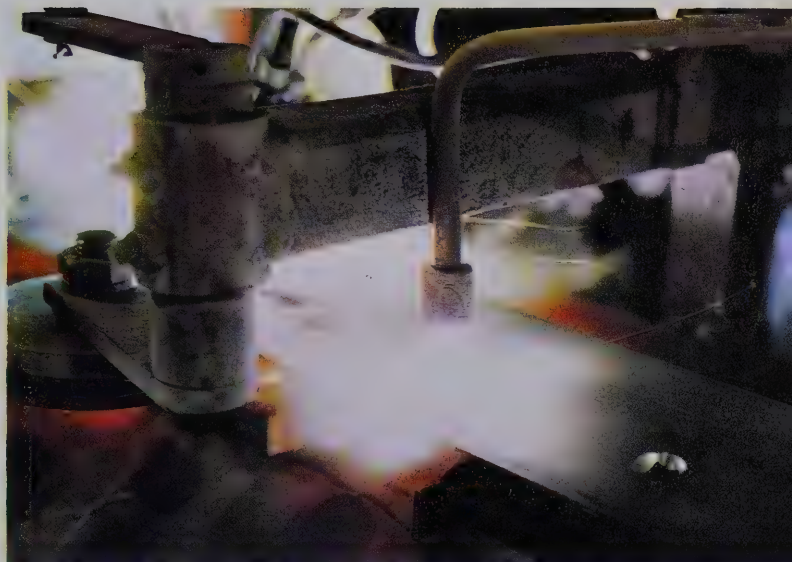
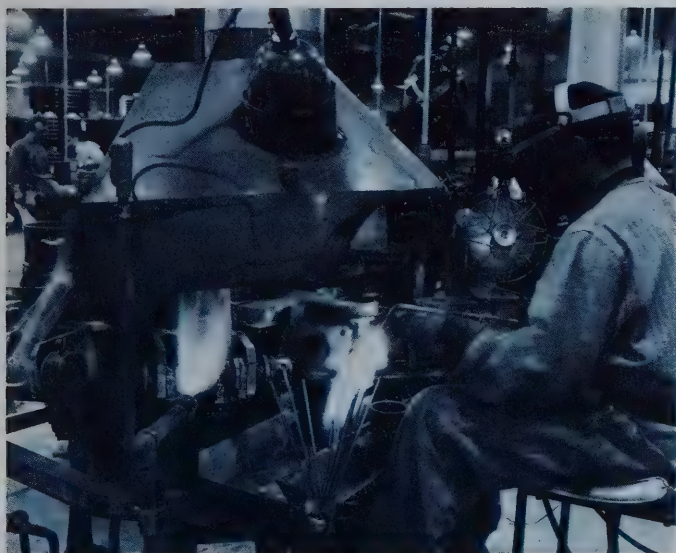
It is a major factor in the economy of Alberta where it helps business and industry produce thousands of articles from drill bits to bread, from fertilizers to fibre food trays or from building materials to petrochemicals. A few examples of natural gas at work are shown on these pages.

This is the story of natural gas—the versatile fuel with “energy to burn.”

Metals

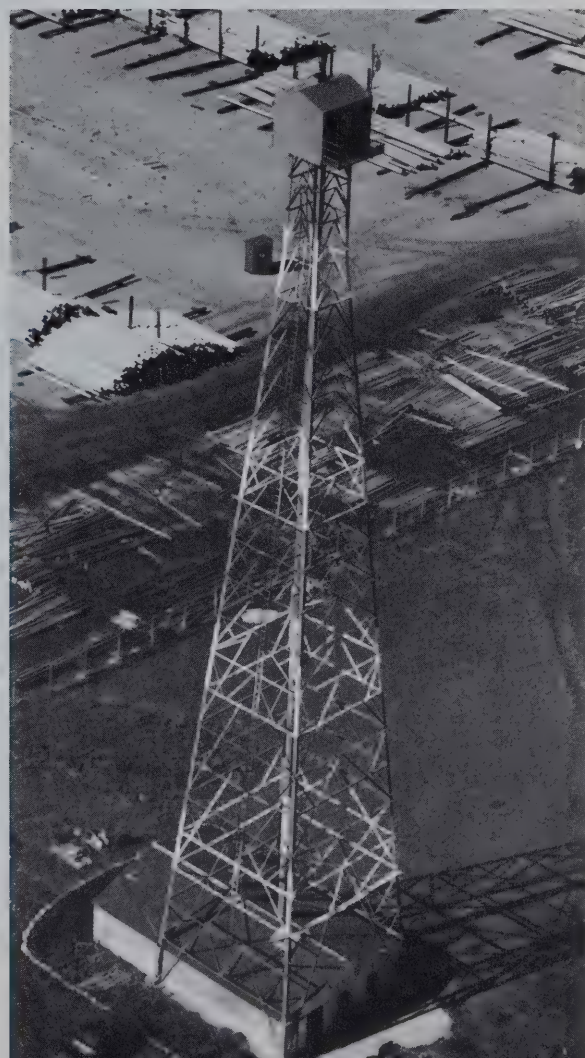


Natural gas is widely used in the manufacture of well drilling bits. Here are seen the 2,200-degree forge furnace, the gas-fired pre-heat for welding and the finished drill bits.



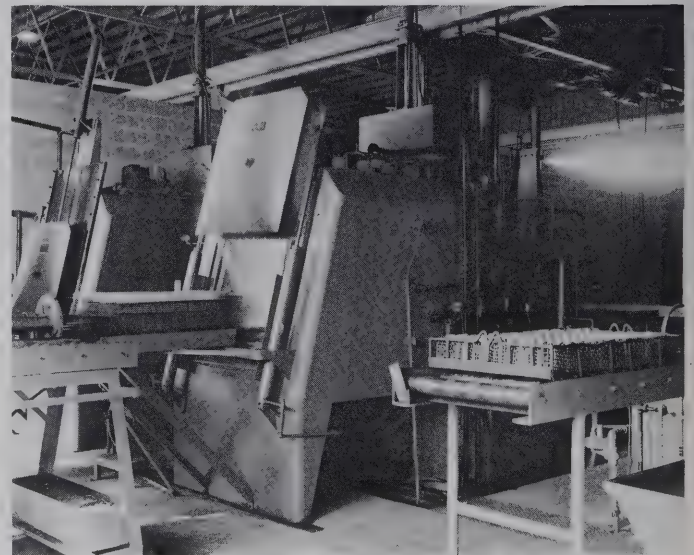
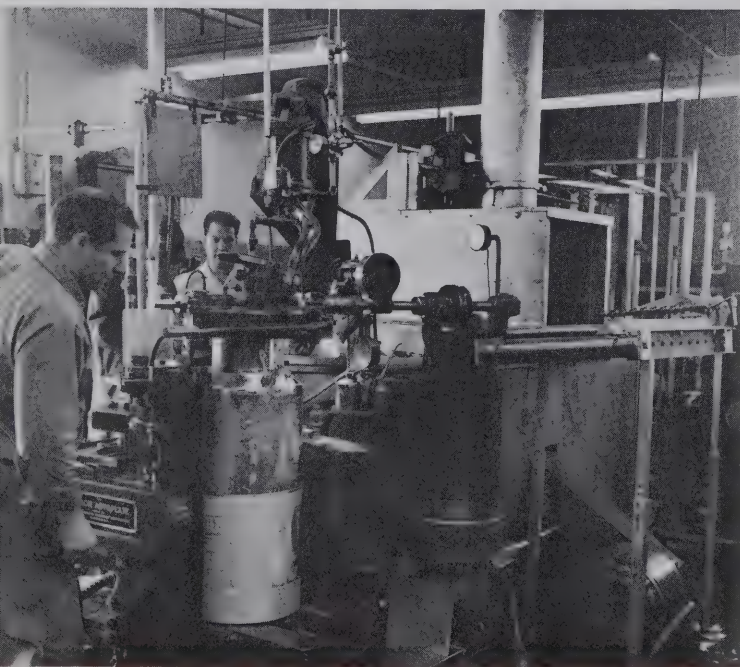
Cultivator blades are hard-faced with the aid of a spectacular pre-heating gas torch.

At the top of this shot tower natural gas melts lead which is poured through screens to fall 150 feet to form shot for shotgun shells.





Stress relieving huge pressure vessels is no problem for this big annealing oven. Forty feet long, it can handle vessels up to 15 feet in diameter and weighing up to 150 tons. Gas-fired, and with automatic controls, it can maintain required temperatures within a 10-degree range, all the way up to 1,600 degrees.



Steel heat treating in a carburizing furnace may call for controlled temperatures up to 1,750 degrees in the presence of a carbon atmosphere produced from raw natural gas.

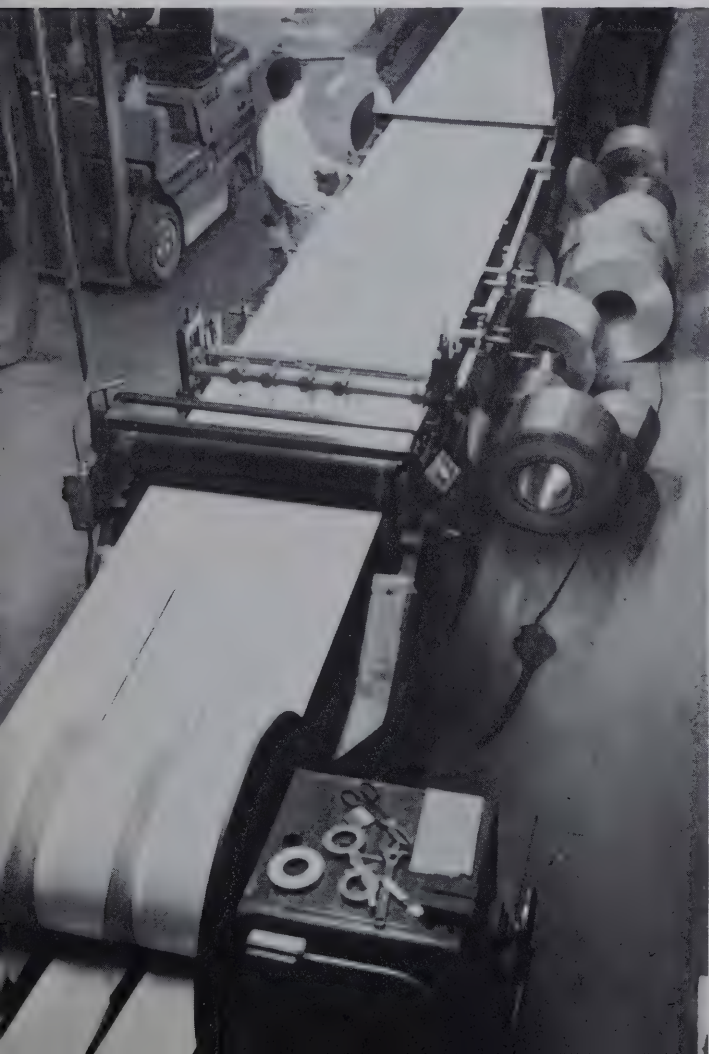
In newspaper production natural gas is required to melt as much as four tons of lead for type in an 80-page newspaper.

Metals

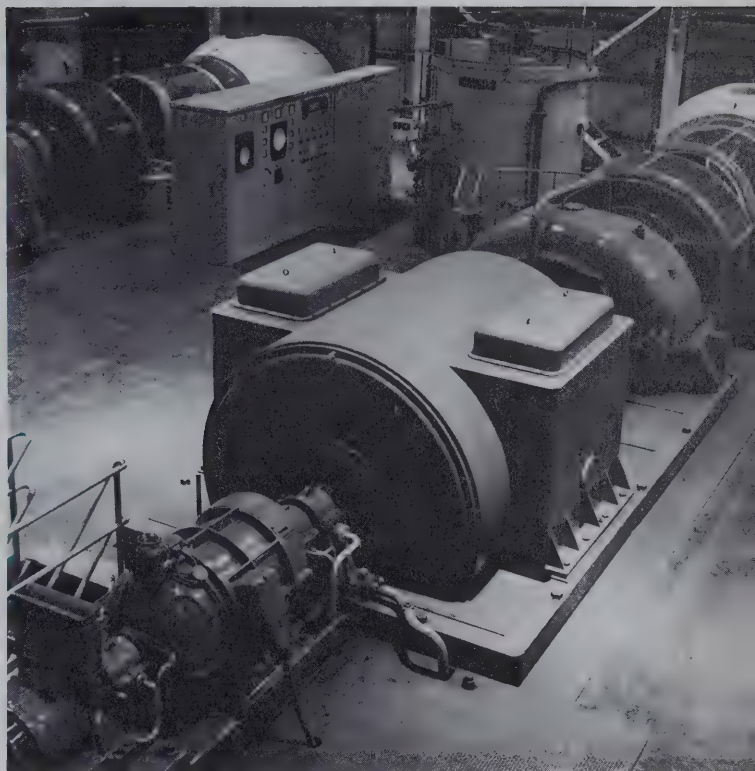


Molten brass, at a temperature of 2,000 degrees, is here being poured into a mould. Other casting metals require temperatures from 850 to 3,000 degrees, additional jobs for the flexible gas flame.

Gas-fired furnace bakes paint on sheets of aluminum, seen here being cut into rolls for wall siding and awnings.

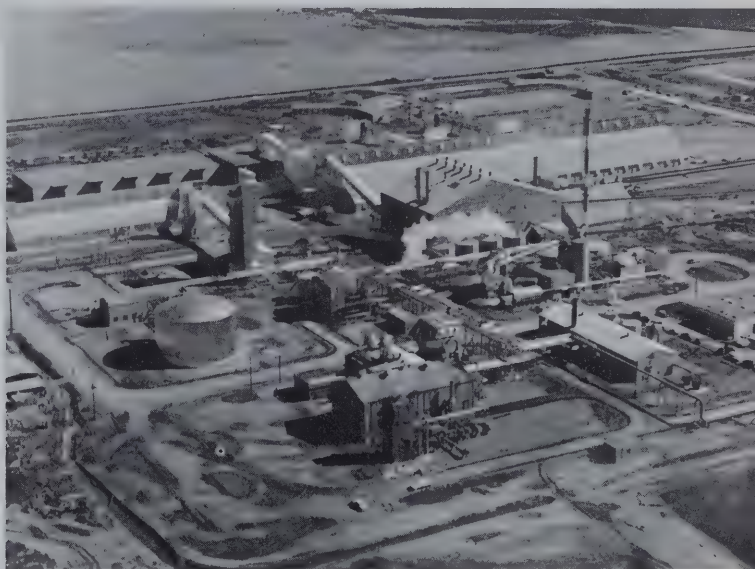


Power generation



Huge natural gas turbines generate electricity in city power plants.

Fertilizers



In fertilizer production gas is not only used to produce steam but is also the vital raw material in the manufacture of ammonia which is converted to fertilizer.

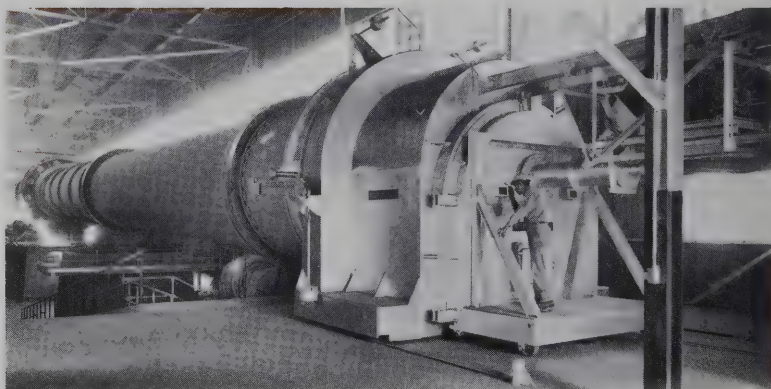


Building materials

Natural gas is important in the plywood industry. Here in a huge oven sheets of veneer are dried by the thousand. Gas also produces steam for exerting pressure for laminating.



Gouged from a mountain of limestone, rock is burned in gas-fired kilns in nearby plant to produce lime.



Inside a cement kiln natural gas actually burns rock to form clinkers which are ground into cement powder.

Other products

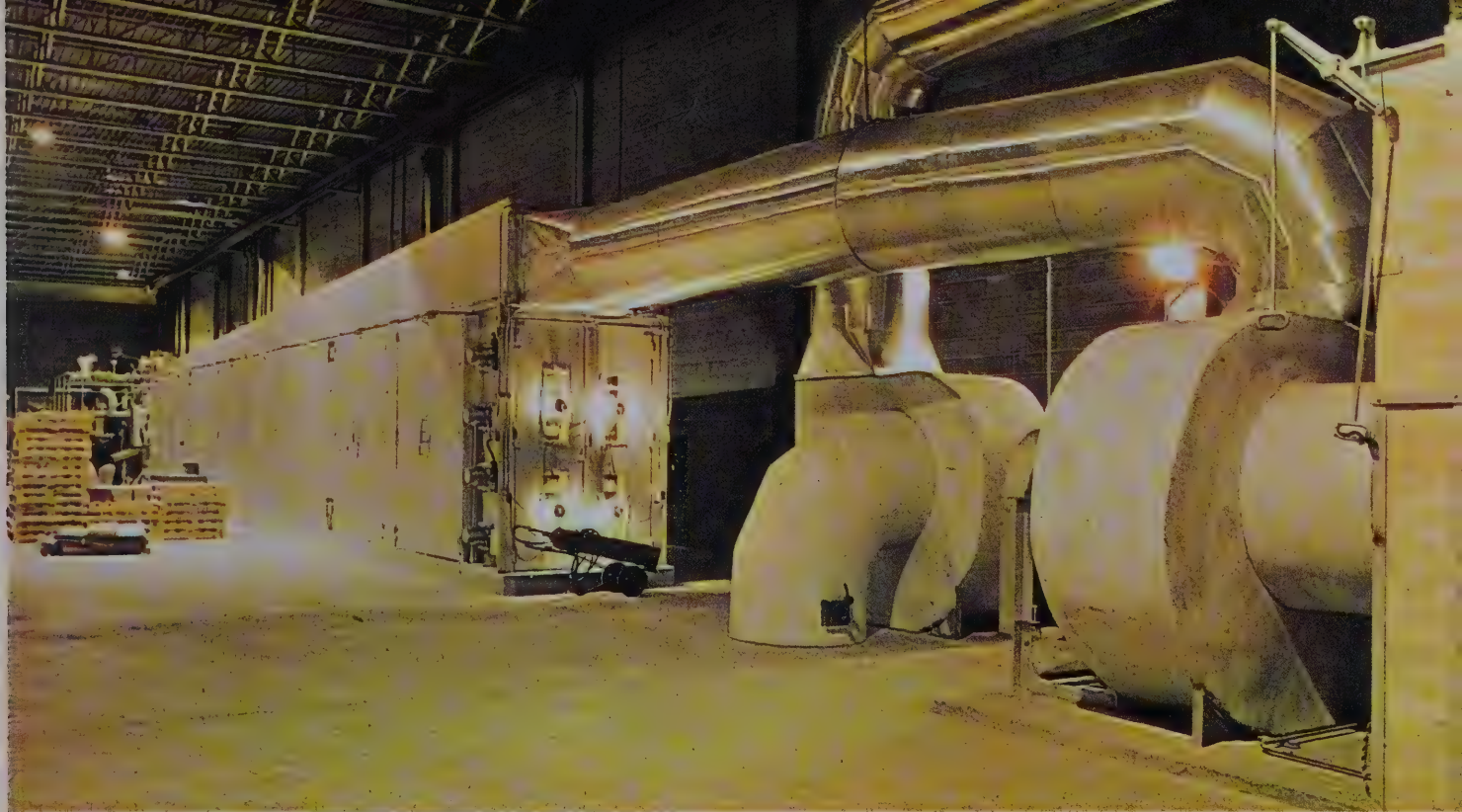


Natural gas is an aid in the manufacture of many products such as garments and rubber tires.

Production of tires requires huge volumes of steam, principally in the curing and forming processes.

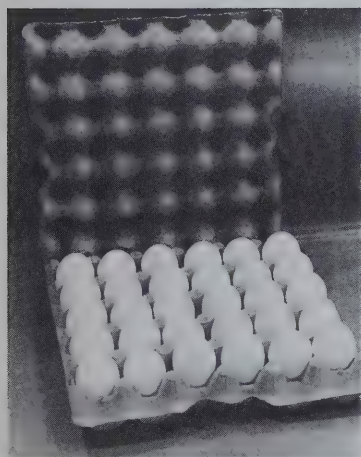
Permanent creases are put in trousers when they are baked in a gas oven.



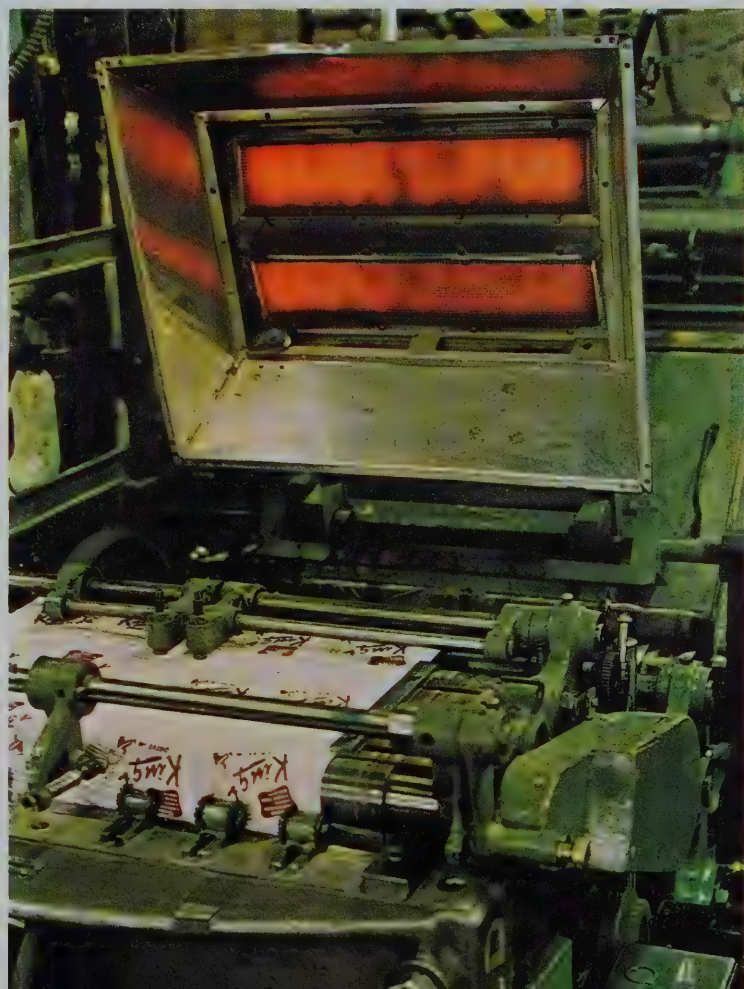


Paper products

Natural gas is used not only for baking food products but for other things such as strong, light-weight fibre trays. Huge bake ovens produce egg crate dividers, like those below, meat and food trays and picnic plates.



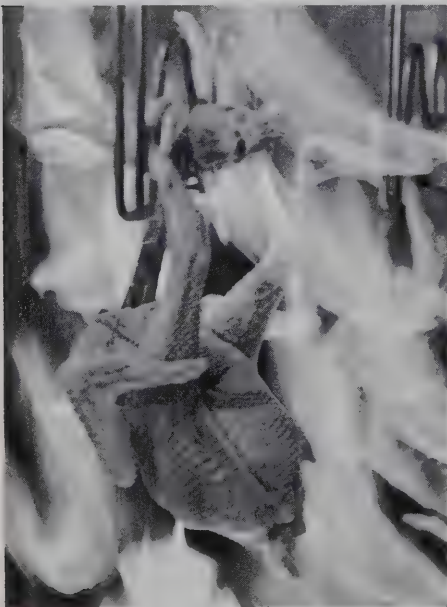
Gas-fired infra-red heaters are widely used in industry for rapid heating such as drying printing inks in making waxed paper containers for foods of all sorts.



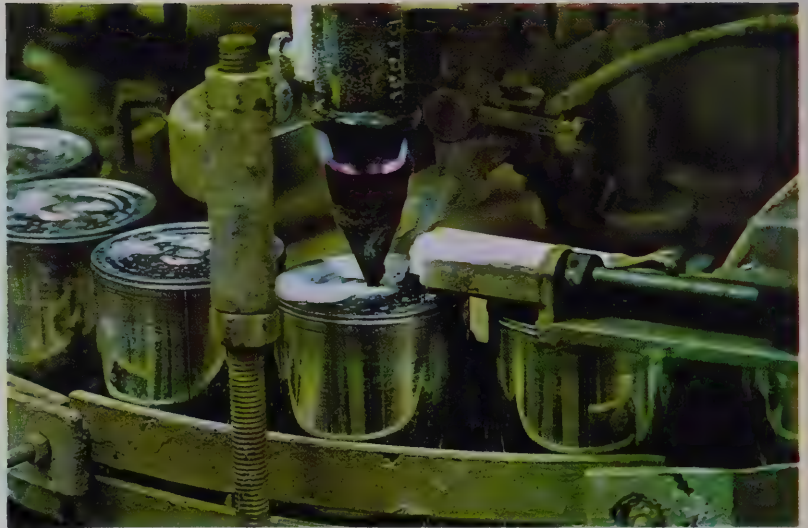
Food production



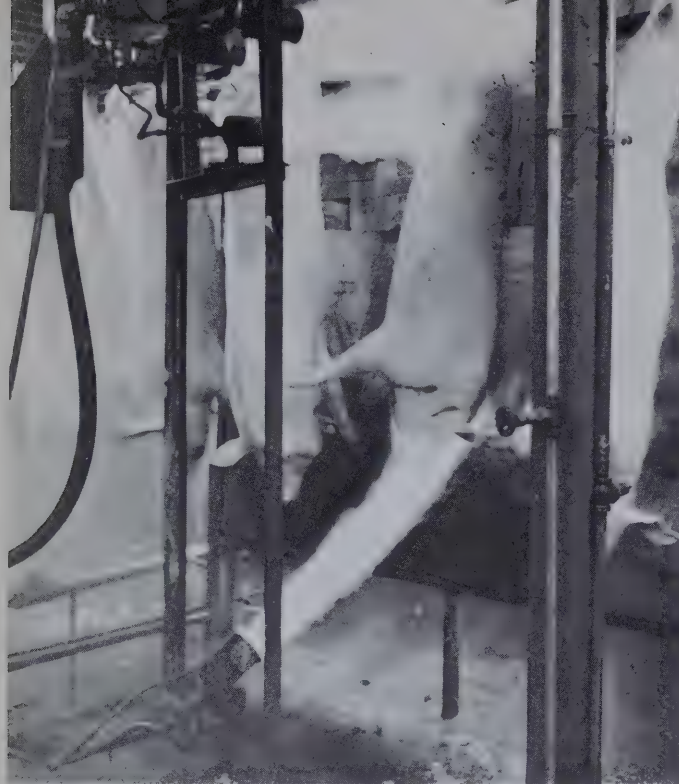
Huge poultry farms depend on natural gas for life-giving warmth to as many as 225,000 chickens at a single time. Here again the flexible flame of natural gas provides precise temperature control.



Gas flames remove the fine hairs from a chicken in one second. Such an assembly line can singe 8,000 chickens in a single day.



Milk canners use a natural gas flame to heat a soldering tip which seals cans at the rate of 100,000 a day.



Meat canning plants use gas-produced steam to cook as many as 8,500 cans of meat at one time.



Food production

(Top left.) Roaring torches can singe 2,800 hogs a day in a packing plant.

(At left.) These sides of bacon have been smoke-cured by automatic sawdust burners, fired by natural gas.

Production of sugar, one of Southern Alberta's largest industries, requires large volumes of natural gas to convert sugar beets into refined white table sugar.



Food preparation



Commercial bakeries depend on natural gas for economy, flexibility and reliability. One such bakery can produce as many as 36,000 loaves of bread and 9,000 buns a day.



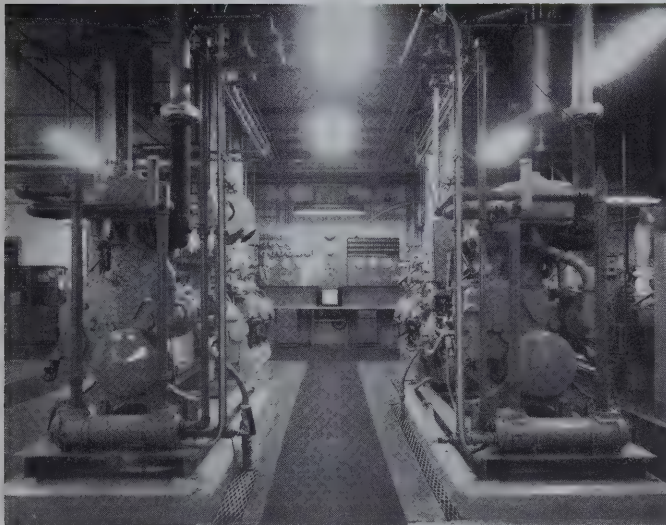
A modern restaurant kitchen uses as many as 15 direct fired gas appliances and 22 steam appliances—ranging from coffee makers to huge dishwashing machines and fryers to bake ovens.





Energy at work

Total energy — the ultimate in gas efficiency, utilizes all the energy in natural gas. Not only does it generate power for electricity, but it recovers heat for hot water, heating and cooling buildings. This school is a good example of such an installation.

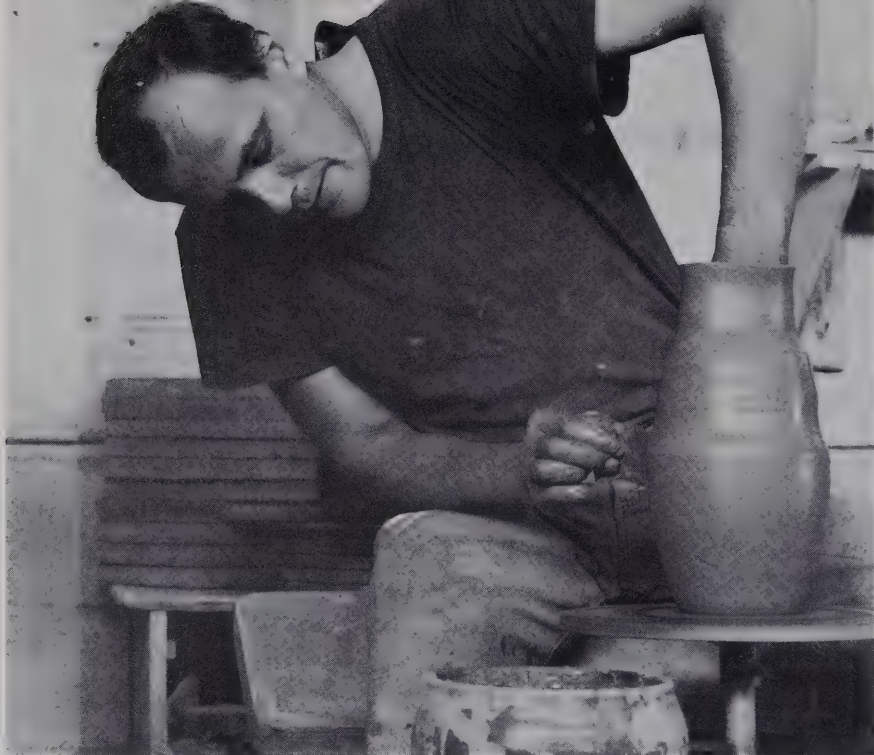


Gas torches provide charm to any outdoor location. Here they provide an unusual decorative effect to a hotel entrance.

Gas engines are widely used for driving compressors for refrigeration, pumps, fans and power drives in dairies, hospitals, artificial ice plants, shopping centres and similar businesses.

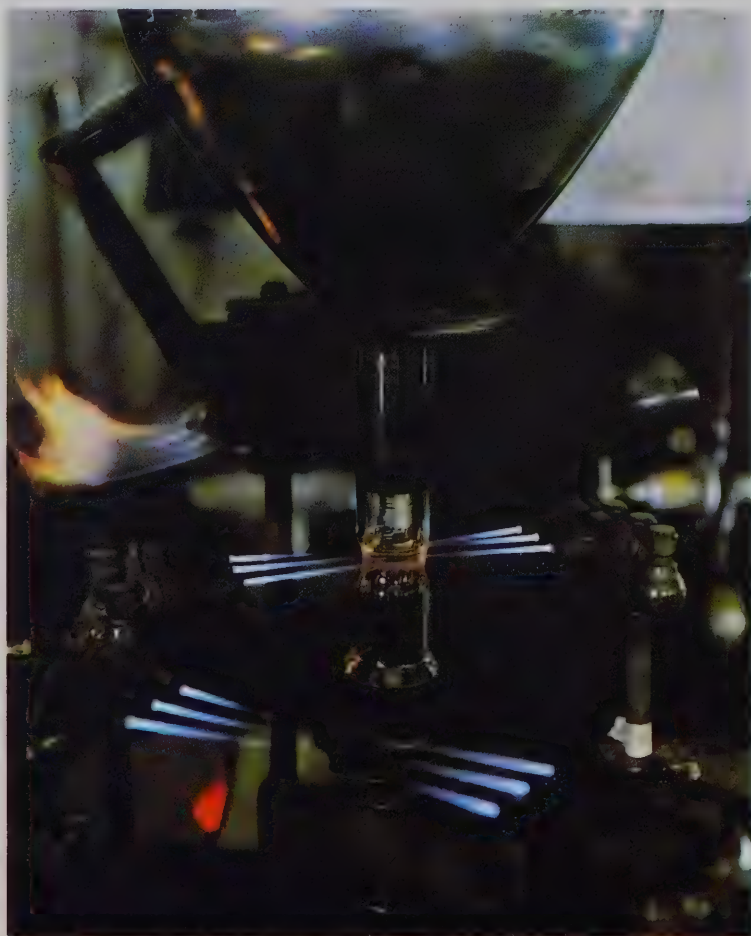


The popularity of sprinkler irrigation with natural gas engine water pump drive is increasing rapidly throughout southern Alberta. Thousands of acres have been converted to natural gas systems in the past few years.

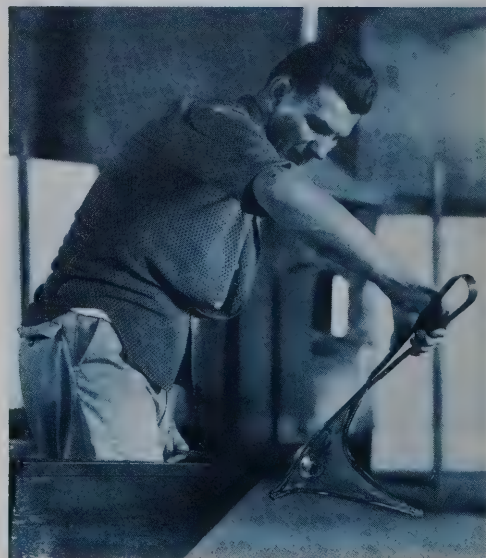


Glass and pottery

A lot of energy goes into the manufacturing of pottery, energy of the skilled craftsman and energy of natural gas to bake articles at 2,300 degrees.



Silent hot tips of glass welding machine seal the end of a television tube.



Elegant glass vases and trays are produced by expert hands. Natural gas furnaces provide the molten glass and once the object is shaped it is treated in a gas furnace.

Plant growth



Carbon dioxide is a new concept in the greenhouse business for increasing plant growth. A natural gas furnace is the ideal "factory" for the job as it supplies heat for the greenhouse and carbon dioxide for the atmosphere.

Space heating



Comparison of plant growth is shown by two variegated plants, both of which have the same growing time, the larger produced in an atmosphere enriched with carbon dioxide.



Natural gas is the finest possible fuel for space heating. Its flexibility makes it suitable for forced air, steam and hot water systems, infra-red and unit heaters. A typical example of delicate heating is an aviary where unit air heaters provide warmth the year round for tropical birds.



Gas in the home



For many people the gas dryer is the biggest saver in the home — it saves time, work, worry, clothes, space, health, ironing and money.



Modern gas ranges provide fast flexible cooking with greatest economy, finest flavor and perfect baking results.



Gas and home comfort go together, the convenience of modern gas cooking, the luxury of plenty of hot water, the economy of a gas clothes dryer and the comfort of wonderful warmth in all seasons.



Natural gas moves outdoors

Beauty and bathing go together, even in cool weather, when swimming pools are heated with natural gas.

The mellow glow of a gas light gives an extra welcome to visitors no matter what the weather. Located on patios, driveways and walks gas lights are both decorative and useful.

Gas barbecues combine convenience, cleanliness and efficiency of modern indoor cooking with the enjoyment of outdoor eating.

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED



BALANCE SHEET

(with comparative figures)

ASSETS

Fixed assets:

	1965	1964
Property, plant, gas wells and equipment—at cost	\$63,035,270	\$61,021,575
Deduct amortization and depreciation	17,901,510	16,596,367
	45,133,760	44,425,208
Undertaking, franchises, gas rights, etc. in respect of which no provision for amortization is being made (including \$2,000,000 par value ordinary shares in Calgary Gas Company, Limited) acquired through issue of ordinary shares	8,000,000	8,000,000
	53,133,760	52,425,208
Investments not having market quotations—at cost, less reserve	4,821	4,821

Current assets:

Cash	474,531	140,168
Short term investments—at cost	200,000	1,500,000
Marketable securities—at cost (quoted market value \$370,000; 1964 \$327,500)	300,000	300,000
Accounts receivable (including \$75,000 of unbilled revenue which is less than estimated) less allowance for doubtful accounts	2,476,393	2,201,839
Due from parent and affiliated companies	36,662	62,967
Materials and supplies—at or below average cost	672,885	644,846
Prepaid expenses	7,717	9,047
Total current assets	4,168,188	4,858,867

Unamortized debt discount and expense	377,277	411,747
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Other deferred charges	70,591	41,801
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Approved on behalf of the Board:

D. K. YORATH, Director

M. E. STEWART, Director

\$57,754,637

\$57,742,444

Statement in accordance with Section 122(6) of The Companies Act (Alberta):

Calgary Gas Company, Limited, a subsidiary company, is not an operating company and consequently there are no earnings or deficit to be dealt with in the accounts of the above company.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

AS AT DECEMBER 31, 1965

figures for 1964)

LIABILITIES

Capital stock and surplus:

	<u>1965</u>	<u>1964</u>
Preference shares (Note 1)	<u>\$ 9,508,200</u>	<u>\$ 9,508,200</u>
Ordinary shares:		
Authorized—3,000,000 shares without nominal or par value		
Issued—1,780,000 shares	<u>10,799,000</u>	10,799,000
Earned surplus (Note 2)	<u>12,707,237</u>	11,751,266
General reserve	<u>1,711,541</u>	1,711,541
	<u>25,217,778</u>	24,261,807
Total capital stock and surplus	<u>34,725,978</u>	33,770,007
Funded debt (Note 3)	<u>17,005,000</u>	18,187,000
5¾% purchase agreement payable, amount due beyond one year .	<u>46,000</u>	69,000

Current liabilities:

Accounts payable and accrued charges	<u>1,288,201</u>	1,348,678
Interest accrued on funded debt	<u>254,578</u>	273,399
Interest accrued on consumers' deposits	<u>273,310</u>	235,713
Sinking fund payments due within one year	<u>100,000</u>	327,000
Purchase agreement payable, amount due within one year	<u>23,000</u>	23,000
Income taxes accrued	<u>931,093</u>	895,034
Other taxes accrued	<u>568,981</u>	491,053
Total current liabilities	<u>3,439,163</u>	3,593,877
Consumers' deposits	<u>1,061,931</u>	968,525

Reserves:

Contributions for extensions	<u>598,687</u>	472,472
Future income taxes (Note 5)	<u>491,790</u>	349,590
Miscellaneous	<u>386,088</u>	331,973
	<u>1,476,565</u>	1,154,035
	<u>\$57,754,637</u>	<u>\$57,742,444</u>

See the accompanying notes to the financial statements.

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1965
(with comparative figures for 1964)

	1965	1964
Natural gas sales	\$20,876,206	\$18,870,057
Operating expenses and taxes:		
Natural gas purchased	6,899,625	6,291,279
Operating	4,211,063	3,866,221
Maintenance	704,453	566,287
Directors' fees	12,550	6,800
Taxes—income (Notes 4 and 5)	2,645,000	2,303,000
Taxes—other than income	1,433,774	1,302,445
Depreciation—exclusive of \$115,169 included in other expenses (1964—\$118,335)	1,390,305	1,284,656
	<u>17,296,770</u>	<u>15,620,688</u>
Net operating income	<u>3,579,436</u>	<u>3,249,369</u>
Other income:		
Interest and dividends	102,371	74,219
Rent	190,408	195,301
Miscellaneous	80,027	96,135
	<u>372,806</u>	<u>365,655</u>
	<u>3,952,242</u>	<u>3,615,024</u>
Income deductions:		
Interest on long term debt	923,134	882,584
Proportion written off debt discount and expense	34,471	34,298
Consumers' deposit and sundry interest	59,498	89,013
	<u>1,017,103</u>	<u>1,005,895</u>
Net income	<u>\$ 2,935,139</u>	<u>\$ 2,609,129</u>

See the accompanying notes to the financial statements.

STATEMENT OF EARNED SURPLUS

YEAR ENDED DECEMBER 31, 1965

Balance at December 31, 1964		\$11,751,266
Add:		
Net income for the year	\$ 2,935,139	
Profit on sale of capital assets	63,160	2,998,299
		<u>14,749,565</u>
Deduct:		
Dividends paid:		
4% cumulative preference shares	220,328	
5½% cumulative preference shares	220,000	
Ordinary shares	1,602,000	2,042,328
		<u>\$12,707,237</u>
Balance at December 31, 1965		

See the accompanying notes to the financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Canadian Western Natural Gas Company Limited as of December 31, 1965 and the statements of income and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of income and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
February 7, 1966

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

TRANSFER AGENTS

ORDINARY SHARES: **MONTREAL TRUST COMPANY,**
Calgary, Alberta - Edmonton, Alberta - Toronto 1, Ontario

PREFERENCE SHARES: **CANADIAN WESTERN NATURAL GAS COMPANY LIMITED,**
Calgary, Alberta

CROWN TRUST COMPANY,
Montreal 1, Quebec - Toronto 1, Ontario

REGISTRARS

ORDINARY SHARES: **MONTREAL TRUST COMPANY,**
Calgary, Alberta - Edmonton, Alberta - Toronto 1 Ontario

PREFERENCE SHARES: **CROWN TRUST COMPANY,**
Calgary, Alberta - Montreal 1, Quebec - Toronto 1, Ontario

AUDITORS

PEAT, MARWICK, MITCHELL & CO.,
Room 508, 309 Eighth Avenue S.W., Calgary, Alberta

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1965

1. Preference shares:

Authorized:

600,000 shares of the par value of \$20 each, issuable in series, of which 325,000 shares have been designated as Cumulative Redeemable Preference shares 4% series and 200,000 shares have been designated as Cumulative Redeemable Preference shares 5½% series.

Issued and redeemable at the option of the company on 30 days' notice at \$20.60 per share:

275,410 shares 4% series	\$ 5,508,200
200,000 shares 5½% series	4,000,000
	<u>\$ 9,508,200</u>

2. The Trust Deed securing the First Mortgage Bonds imposes certain restrictions upon the payment of dividends and management fees and upon the redemption or repayment of the Company's preference and ordinary shares.

3. Funded debt, less sinking fund payments due within one year:

	<u>1965</u>	<u>1964</u>
3½% First Mortgage Sinking Fund Bonds, Series A, due April 1, 1971 . .	\$ 8,000,000	\$ 8,000,000
Less redeemed and cancelled	<u>4,050,000</u>	<u>3,700,000</u>
	3,950,000	4,300,000
Less purchased for sinking fund	<u>1,002,000</u>	<u>578,000</u>
	<u>2,948,000</u>	<u>3,722,000</u>
5¾% First Mortgage Sinking Fund Bonds, Series B, due February 1, 1982 .	7,000,000	7,000,000
Less redeemed and cancelled	<u>1,255,000</u>	<u>1,070,000</u>
	5,745,000	5,930,000
Less purchased for sinking fund	<u>188,000</u>	<u>—</u>
	<u>5,557,000</u>	<u>5,930,000</u>
Less sinking fund payment due within one year	<u>—</u>	<u>185,000</u>
	<u>5,557,000</u>	<u>5,745,000</u>
5⅜% First Mortgage Sinking Fund Bonds, Series C, due April 1, 1983 . .	4,500,000	4,500,000
Less redeemed and cancelled	<u>680,000</u>	<u>565,000</u>
	3,820,000	3,935,000
Less purchased for sinking fund	<u>120,000</u>	<u>73,000</u>
	<u>3,700,000</u>	<u>3,862,000</u>
Less sinking fund payment due within one year	<u>—</u>	<u>42,000</u>
	<u>3,700,000</u>	<u>3,820,000</u>
5½% First Mortgage Sinking Fund Bonds, Series D, due May 1, 1989 . .	5,000,000	5,000,000
Less redeemed and cancelled	<u>100,000</u>	<u>—</u>
	4,900,000	5,000,000
Less sinking fund payment due within one year	<u>100,000</u>	<u>100,000</u>
	<u>4,800,000</u>	<u>4,900,000</u>
Total funded debt less sinking fund payments due within one year . .	<u>\$17,005,000</u>	<u>\$18,187,000</u>

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

4. When computing taxable income for the years 1954 to 1961 inclusive, depreciation has been claimed at maximum rates permitted by the Income Tax Act (being a greater allowance than that provided for in the accounts of the company) which effected a postponement in income taxes to future years of a total amount of \$1,804,000 which has not been recorded on the books. Commencing in 1962 the company has claimed depreciation for tax purposes only to the extent that depreciation has been provided for in its accounts.
5. During 1962 and subsequent years the company acquired certain natural gas rights which, under 1962 amendments to the Income Tax Act, must be claimed against income in the year in which payment therefor has been made. Consequently the company claims such items for tax purposes in the year of payment which effects a postponement in income taxes to future years. These amounts will be used to reduce reported income tax expense in future years when the amortization of the assets acquired is charged against income. In 1965 taxes were postponed in the approximate amount of \$157,000 and amounts were used to reduce reported income tax by approximately \$15,000.

CALGARY GAS COMPANY LIMITED

Subsidiary of

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

BALANCE SHEET

December 31, 1965

ASSETS

Franchises and Rights	<u>\$2,000,000</u>
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SHARE CAPITAL

Authorized and Issued:	
20,000 ordinary shares of \$100 each	<u>\$2,000,000</u>

Approved on behalf of the Board:

D. K. YORATH, Director

M. E. STEWART, Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Calgary Gas Company, Limited as of December 31, 1965 and have obtained all the information and explanations we have required. In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1965, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
February 7, 1966

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

COMBINED STATISTICAL DATA

Relating to

Alberta's Major Associated Natural Gas Utility Companies CANADIAN WESTERN NATURAL GAS COMPANY LIMITED NORTHWESTERN UTILITIES, LIMITED

	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1955</u>
Customers at Year End	227,977	220,858	212,726	205,350	195,385	128,942
Natural Gas Sales (thousands of cubic feet) (1) (4)	133,374,818	118,558,200	111,492,371	105,981,210	98,264,333	74,029,788
Revenue	\$ 45,684,932	\$ 41,223,945	\$ 38,242,828	\$ 36,900,355	\$ 33,991,895	\$ 18,835,027
Net Income	\$ 6,850,224	\$ 5,865,436	\$ 5,334,049	\$ 5,445,339	\$ 5,233,345	\$ 3,130,937
Annual Gross Additions to Plant (2)	\$ 7,977,759	\$ 5,458,540	\$ 8,610,939	\$ 7,868,425	\$ 4,732,698	\$ 6,221,482
Gross Plant	\$150,775,296	\$141,711,174	\$137,023,008	\$129,147,031	\$121,960,580	\$ 68,967,971
Miles of Pipeline	5,072	4,863	4,765	4,554	4,413	2,830
Maximum Daily Demand (thousands of cubic feet)	683,603	755,007	632,800	565,817	564,861	409,604
Communities Served (3)	166	164	161	161	152	63
Population Served	929,000	879,000	844,000	808,000	768,000	511,000

(1) Due to the institution of therm billing in Northwestern Utilities, Limited, in 1959, natural gas sales for that company have been adjusted to a 1000 BTU equivalent basis for the years 1961 through 1965.

(2) Ten year total gross additions to Plant \$87,182,795.

(3) Figures prior to 1964 have been adjusted by deleting suburban communities now annexed to other communities. Statistics are now comparable in all years.

(4) 1965, 1964 and 1963 totals include gas sales to other producing companies.

SYSTEM MAP

◀ FOLD OUT

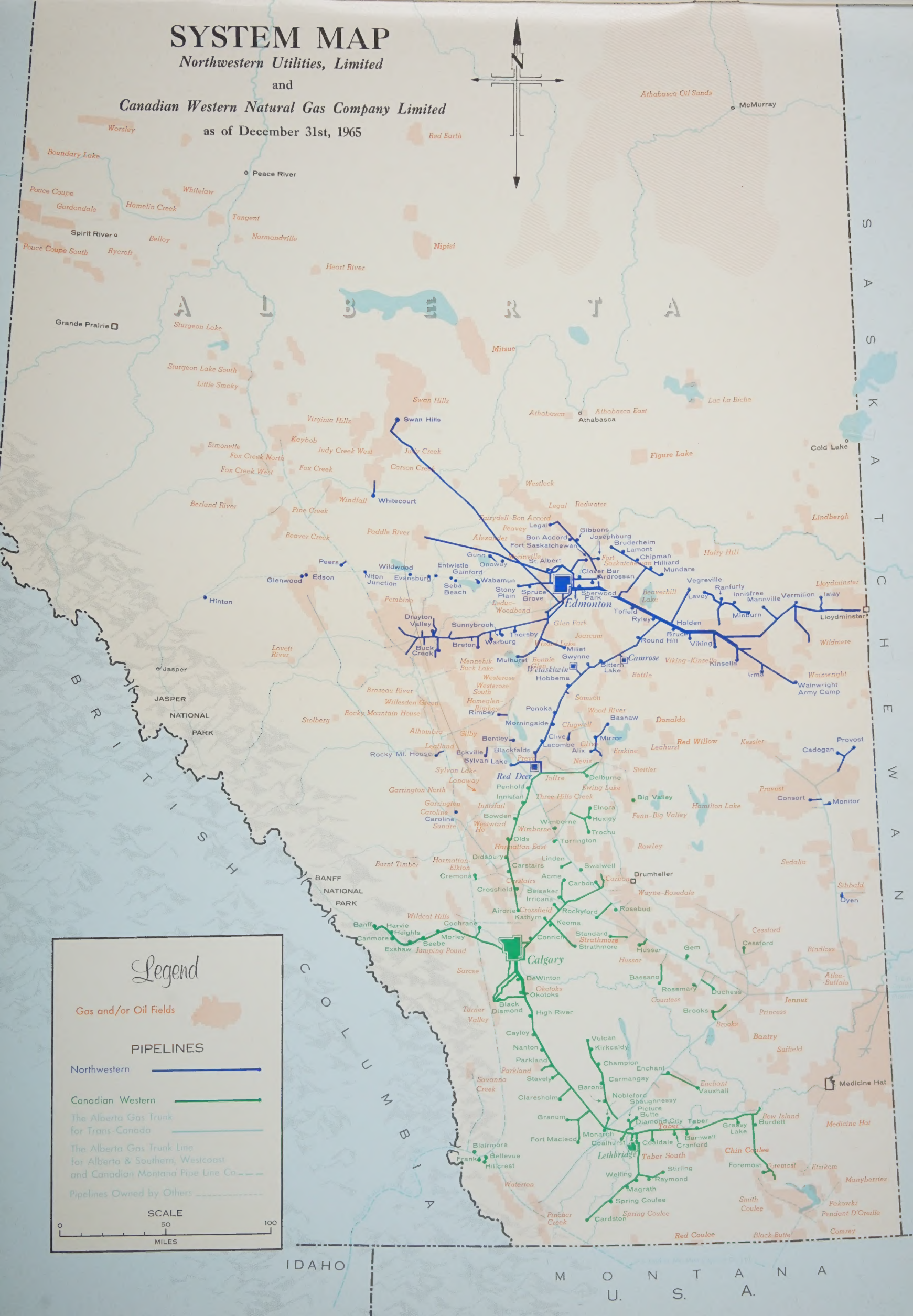
SYSTEM MAP

Northwestern Utilities, Limited

and

Canadian Western Natural Gas Company Limited

as of December 31st, 1965



Legend

Gas and/or Oil Fields

PIPELINES

Northwestern

Canadian Western

The Alberta Gas Trunk
for Trans-Canada

The Alberta Gas Trunk Line
for Alberta & Southern, Westcoast
and Canadian Montana Pipe Line Co.

Pipelines Owned by Others

SCALE

50

100

MILES

